



NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

CONFIDENTIAL WITH
SECRET ATTACHMENTS

July 15, 1982

NSC REVIEWED 8/2/07 NO OBJECTION TO DECLASSIFICATION AND RELEASE

MEMORANDUM FOR

Ms. Nancy Bearg Dyke
Assistant to the Vice President
for National Security Affairs

Mr. William V. Vitale
Director, Office of Executive Secretary
Department of Energy

Mr. L. Paul Bremer, III
Executive Secretary
Department of State

Mr. William Schneider
Associate Director for National
Security and International Affairs
Office of Management and Budget

Mr. David Pickford
Executive Secretary
Department of the Treasury

25X1
Executive Secretary
Central Intelligence Agency

Lt Col Richard Higgins
Assistant for Interagency Matters
Office of the Secretary of
Defense

Ms. Jackie Tillman
Executive Assistant to the United States
to the United Nations

Mr. F. Henry Habicht
Special Assistant to the
Attorney General

Mr. Dennis Whitfield
Executive Assistant to the USTR

Mr. Raymond Lett
Executive Assistant to the Secy
Department of Agriculture

Mr. James B. Burnham
Executive Assistant to the Chairman,
Council of Economic Advisors

Ms. Helen Robbins
Exec Asst to the Secy
Department of Commerce

Col George A. Joulwan
Exec Asst to the Chairman,
Joint Chiefs of Staff

SUBJECT: Background Papers for NSC Meeting, July 16, 1982

Attached are background papers for the NSC Meeting on US-EC
Economic Relations which is scheduled for July 16, 1982, at
11:00 a.m., in the Cabinet Room. (C)

Michael O. Wheeler

Michael O. Wheeler
Staff Secretary

Attachments
Background Papers

SECRET

Discussion Paper for NSC Meeting, July 16, 1982

NSC REVIEWED 8/2/07 NO OBJECTION TO DECLASSIFICATION AND RELEASE

OPTIONS ON STYLE AND APPROACH

In managing current issues with its European Allies, there are a number of ways in which the United States could respond to European concerns:

1. A visible, high-level response beginning a "new dialogue."

This option could involve a variety of new steps, such as sending a Cabinet-level delegation to Europe or inviting the EC Council President to visit President Reagan, to demonstrate special sensitivity to European concerns. Such steps could be undertaken to negotiate specific issues or to reinforce existing negotiations within regular channels. This approach will inevitably raise some expectations of high-level compromises on the outstanding issues.

2. Address key issues through existing channels with greater intensity and commitment.

This option precludes any special steps outside existing channels and ongoing negotiations but implies a commitment to pursue existing negotiations with greater vigor and willingness to achieve compromises on individual issues based on mutual concessions.

3. Some combination of one and two above.

This option involves special high-level steps including the designation of a Cabinet-level official or officials to carry on intensified negotiations with the Europeans, combined with enhanced commitments to pursue solutions to other issues in existing channels. This approach also implies a U.S. willingness to compromise.

4. Pursue business-as-usual in US-European economic relations.

This option involves focusing on already scheduled events and negotiations in US-EC relations and pursuing these activities in line with recent levels

SECRET

SECRET

SECRET

-2-

of emphasis (i.e., pre-Summit and since). No special high-level activities would be considered. This approach implies that the US intends to hold its positions on the issues, and use existing machinery to keep pushing our points.

SECRET

SECRET

SECRET

OPTIONS ON SPECIFIC ISSUES

Whatever approach the United States chooses, it is essential to consider beforehand how we intend to proceed on specific issues. Otherwise, we risk raising expectations through high-level contacts which cannot be met through negotiations on specific issues.

The issue papers attached to this discussion paper outline the present status of various issues in US-European relations. As the overview paper suggests, the issues divide generally into three categories:

1. Issues such as East-West trade, sanctions, export credits and economic and monetary policy coordination, where there is general agreement that US policy is developing in the right direction and should emphasize the broad policy rationale these initiatives, addressing specific issues such as sanctions or high interest rates in the context of overall US and Western security and economic policy objectives.
2. Other individual issues such as steel, agriculture, textiles and various domestic actions that would benefit the allies, where the United States may have some flexibility, in timing or style if not in substance, and can seek to develop maneuvering room fully aware of the legal and other limits and the desire not to raise expectations which cannot be fulfilled.
3. Long-term issues such as US policy toward the GATT Ministerial or the IMF and multilateral development banks, where US leadership and continuity of policy are too important to alter for short-term objectives.

Below, some alternatives are outlined to initiate thinking and discussion about US options in specific areas, particularly in the second category of issues above.

SECRET

SECRET

SECRETOPTIONS ON STEEL

Any solution to the steel problem as required by the statute must relieve injury to the US industry caused by subsidized or dumped EC steel imports. The US industry can block any settlement which does not meet this condition.

1. EC-wide settlement. Secretary Baldrige continues his current intensive effort to settle the steel cases through negotiations with European Commission officials.
2. Country-by-country settlement on products subject to pending cases. If EC-wide settlement appears impossible, individual countries may seek separate settlements in pending cases. Any such country/product specific settlement acceptable to the foreign country probably would not meet the statutory requirement of relieving injury to the US industry.
3. Completion of pending cases. If neither EC-wide settlement nor country-wide settlement is possible, the Department of Commerce has no choice under the statute but to continue the cases to their conclusion. This will, no doubt, result in the exclusion of major steel imports from France, Belgium, Italy, and the United Kingdom.

SECRET**SECRET**

SECRETOPTIONS ON AGRICULTURE

1. Continue to press vigorously on current agreed strategy.
2. Soften the current approach.
 - Limit debate to government-to-government dealings, i.e., remove debate from public domain;
 - Extend time period for review of 301 petitions.
3. Strengthen the current approach.
 - Establish a limited export credit subsidy program;
 - Establish a limited direct export subsidy program designed for particular market and particular commodity such as poultry in the Middle East.

SECRET**SECRET**

OPTIONS ON US-SOVIET GRAINS AGREEMENT (LTA)

1. Do nothing, allow LTA to lapse.
2. Extend the LTA for one year on its present terms;
3. Explore the possibility of negotiating a new LTA with different terms.

SECRET**SECRET**

~~SECRET~~

OTHER EAST-WEST ISSUES - CREDITS AND COCOM

Credits

1. Continue our pre-summit efforts to persuade Allies to restrain credits to the USSR:
2. Concentrate in the short term on exchanging information on credits; move in a few months to a monitoring mechanism and only later to another try at actual controls.
3. Drop attempt at restraining credit.

COCOM

1. Continue our efforts to tighten COCOM controls and improve enforcement

SECRET